

DIRECT TESTIMONY

of

BRETT SEAGLE

Energy Engineering Program

Safety and Reliability Division

Illinois Commerce Commission

Northern Illinois Gas Company,

d/b/a Nicor Gas Company

Application for temporary and permanent Certificates of Public Convenience and Necessity, under Section 8-406 of the Public Utilities Act, to construct, operate and maintain gas distribution facilities and to transact the business of furnishing gas service to the public in DeKalb County and Ogle County, Illinois.

Docket No. 15-0510

January 20, 2016

1 **Q. Please state your name and business address.**

2 A. My name is Brett Seagle and my business address is: Illinois Commerce
3 Commission ("Commission"), 527 East Capitol Avenue, Springfield, Illinois 62701.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Commission as a Gas Engineer in the Gas Section of the
6 Energy Engineering Program of the Safety and Reliability Division. I have worked
7 for the Commission since 2008.

8 **Q. Please state your educational background.**

9 A. I received a Bachelor of Science degree in Mechanical Engineering from the
10 Southern Illinois University.

11 **Q. What are your primary responsibilities and duties as a Gas Engineer of the**
12 **Safety and Reliability Division's Energy Engineering Program?**

13 A. My primary responsibilities and duties are in the performance of studies and
14 analyses dealing with the day-to-day and long-term operations and planning of the
15 gas utilities serving Illinois. For example, I review purchased gas adjustment
16 clause reconciliations; rate base additions; levels of natural gas used for working
17 capital; and utilities' applications for certificates of public convenience and
18 necessity. I also perform utility gas meter test shop audits.

19 **Q. What is the purpose of this proceeding?**

20 A. On September 4, 2015, Northern Illinois Gas Company d/b/a Nicor Gas Company
21 ("Nicor Gas" or "Company") filed a petition pursuant to Section 8-406(b) of the
22 Illinois Public Utilities Act ("Act") requesting temporary and permanent certificates
23 of public convenience and necessity to authorize Nicor Gas to construct, operate
24 and maintain gas distribution facilities, and transact public utility business in and
25 near Fairdale, Illinois. On September 30, 2015, the Commission granted the
26 Company's request for a temporary certificate of public convenience and
27 necessity. Now the Company seeks a permanent certificate of public convenience
28 and necessity ("Certificate"). The purpose of this proceeding is to consider this
29 request pursuant to Section 8-406(b) of the Act.

30 **Q. What are your duties and responsibilities associated with this docket?**

31 A. I was assigned to review and present my opinion as to whether Nicor Gas has
32 satisfied the conditions prequired prior to the issuance of the Certificate pursuant
33 to Section 8-406 of the Act.

34 **Q. Have you reviewed the Company's testimony and documentation filed in this**
35 **proceeding?**

36 A. Yes, I have. I reviewed the Company's Application and Exhibits attached thereto;
37 the Direct Testimony of Company witness Mr. Patrick E. Whiteside (Nicor Ex. 1.0)
38 and accompanying exhibits; the Direct Testimony of Company witness Mr. Bob O.
39 Buckles (Nicore Ex. 2.0); the Direct Testimony of Company witness Mr. Gregory
40 M. Stiglic (Nicor Ex. 3.0); and the Company's responses to various Staff Data
41 Requests ("DRs").

42 **Q. What conclusions have you reached in this proceeding?**

43 A. I have found no reason to oppose Nicor Gas' request for Certificate to serve the
44 Fairdale Area.

45 **Q. What must Nicor Gas demonstrate in order to be issued a Certificate**
46 **pursuant to Section 8-406(b) of the Act?**

47 A. While I am not an attorney, my understanding of Section 8-406(b) of the Act is that
48 it requires a utility to demonstrate that: (1) that the proposed construction is
49 necessary to provide adequate, reliable, and efficient service to its customers and
50 is the least-cost means of satisfying the service needs of its customers; (2) that the
51 utility is capable of efficiently managing and supervising the construction process
52 and has taken sufficient action to ensure adequate and efficient construction and
53 supervision thereof; and (3) that the utility is capable of financing the proposed
54 construction without significant adverse financial consequences for the utility or its
55 customers.

56 **Q. What specifically did you review with respect to the Company's request for**
57 **a Certificate?**

58 My investigation examined two areas of potential concern. First, I reviewed
59 whether Nicor Gas' proposed construction, operation, and maintenance of
60 approximately five and one-half (5.5) miles of new gas distribution main and related
61 facilities in and near Fairdale, Illinois, together with system improvements in the
62 Village of Kirkland, (collectively "the Fairdale main extension" or "Project") are

necessary to provide adequate, reliable, and efficient service to its customers and whether constructing these facilities is the least-cost means for Nicor Gas to satisfy the service needs of its customers. Second, I reviewed whether Nicor Gas is capable of efficiently managing and supervising the construction process.

Staff witness Rochelle Phipps is reviewing and commenting on the third requirement of Section 8-406(b), whether Nicor Gas is capable of financing the project in her Direct Testimony, identified as ICC Staff Exhibit 2.0.

Q. What is Nicor Gas specifically requesting in its certificate request?

A. Nicor Gas is requesting Commission authority to construct, operate, and maintain approximately five and one-half miles of new gas distribution main and related facilities and transact public utility business in and near Fairdale, Illinois. Nicor Gas' proposed Fairdale Main Extension includes plans to install approximately 12,700 feet of 6" PE main, 9,550 feet of 4" polyethylene PE main and 6,100 feet of 2" PE main, plus individual meters, regulators, and the extension of service pipe, to serve customers in and near Fairdale. Additionally, the Company's recommended investment in facilities includes replacement of approximately 1,050 feet of existing 2" wrought iron main in the Village of Kirkland with approximately 1,050 feet of 4" PE main, utilizing some 6" PE main in place of portions of the 4" PE. (Nicor Ex. 3.0, 5.)

In addition to the construction and facilities detailed above, Nicor Gas, as noted in the direct testimony of Nicor Gas witness Mr. Whiteside, is requesting Commission authority to certificate the area along the Fairdale Main Extension to accommodate

85 five potential commercial customers located along the Fairdale main extension.
86 (Nicor Ex. 1.0, 5.) These five commercial customers operate two crop dryers, four
87 hog barns (connected via one meter), an office facility, and a truck repair facility.
88 Nicor Gas expects all of these commercial customers to take natural gas service.
89 Id. The Company provides a more detailed description including maps of the
90 proposed Fairdale certificate area as Nicor Exhibits 1.2, 1.3, and 1.4, which are
91 aerial views of the boundaries of the proposed Certificate, and Nicor Exhibits 1.4
92 and 1.5, which are legal descriptions of the township sections to be certificated if
93 the Commission grants Nicor Gas' request.

94 **Q. Has Nicor Gas demonstrated that the Fairdale Main Extension is necessary**
95 **for it to provide adequate, reliable, and efficient service to its customers and**
96 **whether constructing these facilities is the least-cost means for Nicor Gas**
97 **to satisfy the service needs of its customers?**

98 A. Yes.

99 **Q. How did Nicor Gas demonstrate this to you?**

100 A. On April 9, 2015, a tornado destroyed or significantly damaged most structures in
101 Fairdale. The DeKalb County Long Term Recovery Corporation (the
102 "Corporation") was formed in mid-May 2015 to facilitate the rebuilding of Fairdale
103 by serving as the central contact point for identifying the needs of Fairdale
104 residents and to match resources to those needs. The Corporation requested that
105 Nicor Gas provide natural gas service in Fairdale and that Nicor Gas do so as
106 quickly as possible in order to coincide with and facilitate the rebuilding of Fairdale.

Mr. Bill Nicklas, President of the Corporation, indicated that the Corporation fully endorses and supports the extension of the Company's gas main into the Fairdale community in order to provide natural gas service to all of Fairdale's residents. Id. at 4-5. Further, no public or municipal utility provides natural gas service in or near Fairdale. Id. at 9.

I also reviewed Mr. Buckles' testimony discussing the economic feasibility study Nicor Gas conducted for the project; that study determined the project is economically feasible without any customer deposits. (Nicor Ex. 2.0, 3-5.) I also reviewed Nicor Gas' response to Staff data requests ENG 1.01 and ENG 1.02 to review the assumptions that Nicor Gas made in this feasibility study.

Q. Why did Nicor Gas conduct a feasibility study?

A. As discussed by Mr. Buckles in his direct testimony, Nicor Gas conducted a feasibility study to determine if a comparison of the costs for the project to the expected revenues that Nicor Gas would receive from the project would result in Nicor Gas earning its Commission approved rate of return. Id. The results of the study indicated that the project has a 1.43% rate of return, which is less than Nicor Gas' approved rate of return of 8.09%. Therefore, customer deposits were needed to make the project economically feasible and bring the rate of return for the project in line with the Company's approved rate of return.

Q. Did Nicor Gas obtain additional funds to make its proposed service extension to Fairdale economically feasible?

128 A. Yes. However, instead of obtaining customer deposits from prospective
129 customers, on September 28, 2015 the Corporation paid Nicor Gas \$191,294.25,
130 which is the amount necessary to bring the rate of return in line with the
131 Commission-approved rate of return and for Nicor Gas to deem the project
132 economically feasible. (Company Ex. 1.1.)

133 **Q. Did you review the assumptions and analysis used by Nicor Gas to conduct**
134 **the feasibility study?**

135 A. Yes. Nicor Gas provided several confidential exhibits in its response to data
136 request ENG 1.01 that show how Nicor Gas computed the project's rate of return.
137 I found no reason to dispute any of the assumptions or the conclusions of that
138 analysis.

139 **Q. Has Nicor Gas demonstrated to you that it is capable of efficiently managing**
140 **and supervising the construction process?**

141 A. Yes.

142 **Q. How did Nicor Gas demonstrate this capability?**

143 A. Mr. Stiglic indicated in his direct testimony that Nicor Gas intends to follow its
144 normal construction practices and procedures for the project. (Nicor Ex. 3.0, 4.)
145 Further, I am personally aware that Nicor Gas is the largest natural gas utility
146 operating in the state and this type of project is well within its normal activities.
147 Finally, Nicor Gas' construction practices are required to meet the U.S. Department
148 of Transportation minimum federal safety standards contained in 49 CFR 192.

149 **Q. Are there any other natural gas providers that could provide service to the**
150 **Fairdale area in an economic fashion?**

151 A. In his direct testimony, Mr. Buckles stated that Nicor Gas is the only utility that has
152 any gas distribution facilities within the proximity of the Project and with sufficient
153 capacity to reasonably provide for current and future needs within the Certificate
154 area. He also testified that service from any other public utility would require
155 greater investment in facilities and would have higher costs for customers. (Nicor
156 Ex. 2.0, 5.)

157 **Q. Has the Company provided adequate evidence that it has met the**
158 **requirements for issuance of a Certificate to provide gas service to the**
159 **Fairdale area?**

160 A. Yes. It is my opinion that the Company has adequately met its burden under
161 Section 8-406 (b) of the Act. It is my opinion that the Company has demonstrated
162 that (1) the proposed construction is necessary to provide adequate, reliable, and
163 efficient service and Nicor Gas can provide that service on a least-cost basis, and
164 (2) Nicor Gas is capable of efficiently managing and supervising the construction
165 process and has taken sufficient action to ensure adequate and efficient
166 construction and supervision thereof.

167 **Q. What are your recommendations to the Commission in this proceeding?**

168 A. I recommend that the Commission issue the Company its requested Certificate
169 authorizing it to construct, operate, and maintain gas supply and distribution

170 facilities and to transact the business of furnishing gas service to the public in the
171 Fairdale area.

172 **Q. Does this conclude your prepared direct testimony?**

173 **A. Yes.**